

The Department's rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. (This is a GIL.)

April 26, 2006

Dear Xxxxx:

This letter is in response to your letter dated February 8, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

We have been contacted by one of our Illinois customers requesting a refund of sales tax included on their invoice and subsequently remitted to you. The specific item purchased were [sic] 12 of our rubber blankets. These mats are affixed to the press and are used to apply a final coating after the ink has been applied. The mats are consumed and discarded after the completion of the job for which they are purchased and are not a permanent part of the equipment.

For this reason we have normally charged sales tax on this product unless the customer can evidence the fact that the item is for resale, which this customer has not heretofore provided.

However, the customer has provided us with a signed ST-587 Equipment Exemption Certificate attesting in Step 5 that '...this equipment will be used primarily in graphic arts production.' Nevertheless, the blanket is not equipment per se but again affixed to the equipment and subsequently discarded after the completion of the job.

I have also read through Section 130.325 Graphic Arts Machinery and Equipment Exemption of the Illinois Revenue Regulations and consulted two of your reps in the Tax Department and have still not been able to obtain a definitive ruling.

My questions are as follows:

1. Are blankets taxable?
2. Does a signed ST-587 by the customer allow us to exempt blankets or any other taxable item prior to or even subsequent to a ruling by your office?
3. If in fact this item is ruled nontaxable, how should I proceed in light of the fact that much of my taxable sales in Illinois are blankets?

DEPARTMENT'S RESPONSE

The Department's rules regarding the Graphic Arts Machinery and Equipment Exemption are set forth at 86 Ill. Adm. Code 130.325. Under the graphic arts machinery and equipment exemption, Retailers' Occupation Tax does not apply to sales of machinery and equipment, including repair and replacement parts, both new and used and including that manufactured on special order to be used primarily in graphic arts production. The exemption extends to purchases by lessors who will lease the property for use primarily in graphic arts production. Taxpayers must certify the use of the equipment they are purchasing to their suppliers.

Please note that Section 130.325(b)(4)(B) provides that the transfer of images or text from computers, plates, cylinders or blankets to paper or other stock to be printed are generally considered graphic arts production. Examples of qualifying equipment used in this activity include printing plates, printing presses, blankets and rollers, automatic blanket washers, and so on.

Section 130.325(b)(8) sets out the requirements for purchasers wishing to claim the exemption. A completed Form ST-587 is suitable for this purpose.

Claims for credit and refunds are available when a taxpayer shows that he paid tax to the Department as a result of a mistake of fact or law. See 86 Ill. Adm. Code 130.1501. If a retailer collects and remits to the Department tax on an item that should have been exempt as a sale for resale or under some other exemption, the retailer may file a claim for credit. This is true even if a valid Certificate of Resale or other exemption certificate is provided for items after the initial purchase and after tax has been paid. Only the remitter of the tax erroneously paid to the Department is authorized to obtain a credit. In order to obtain a credit, one must first demonstrate that he or she has borne the burden of the tax erroneously paid. The Department cannot approve any claim for credit unless the claimant clearly establishes that he or she has unconditionally repaid the amount of the tax to the person from whom he has collected the tax.

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

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